

**BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COLUMBIA, SOUTH CAROLINA**

#19-11779

MAY 29, 2019

10:00 A.M.

ND-2019-6-E:

**BLUE GRANITE WATER COMPANY — Request for an Allowable Ex Parte Briefing
to Discuss the State of the Company**

**ALLOWABLE EX PARTE
BRIEFING**

COMMISSION MEMBERS PRESENT: Comer H. 'Randy' RANDALL, *Chairman*; Justin T. WILLIAMS, *Vice Chairman*; and COMMISSIONERS John E. 'Butch' HOWARD, Florence P. BELSER, Thomas J. 'Tom' ERVIN, Swain E. WHITFIELD, and G. O'Neal HAMILTON

ADVISOR TO COMMISSION: Joseph Melchers
GENERAL COUNSEL

STAFF: B. Randall Dong, Esq., David W. Stark, III, Esq., and Jerisha Dukes, Esq., Legal Advisory Staff; Douglas K. Pratt, William O. Richardson, John Powers, and Norman Scarborough, Technical Advisory Staff; Randy Erskine, Information Technology Staff; Melissa Purvis, Livestream Technician; Rob Bockman, Clerk's Staff; Jo Elizabeth M. Wheat, CVR-CM/M-GNSC, Court Reporter; and Hope Adams, Hearing Room Assistant

APPEARANCES:

SAMUEL J. WELLBORN, ESQUIRE, representing BLUE GRANITE WATER COMPANY, together with **CATHERINE HEIGEL** [President / Blue Granite Water Co.], **J. BRYCE MENDENHALL** [Vice President, Operations / Blue Granite Water Co.], **TRAVIS DUPREE** [Vice President, Project Management & Engineering / Blue Granite Water Co.], and **ROBERT HUNTER** [Director, Financial Planning & Analysis / Blue Granite Water Co.], Presenters

JEFFREY M. NELSON, ESQUIRE, Designee of the Executive Director of THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

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Please note the following inclusions/attachments to the record:

- Presentation Slides
- Photos and (4) handouts included in workshop presentation setup
- Blue Granite Water Company "Strategic Plan" of December 2018

P R O C E E D I N G S

CHAIRMAN RANDALL: Please be seated. Good morning, everyone. Welcome to this allowable ex parte.

We'll ask Mr. Melchers, our attorney, to read the docket.

MR. MELCHERS: Thank you, Mr. Chairman.

Commissioners, we are here pursuant to a request for an allowable ex parte briefing. The requester is Blue Granite Water Company, and the topic is: The state of the company.

It has been posted for briefing today, May 29th, 2019, at 10 a.m., here in the Commission room.

Thank you, Mr. Chairman.

CHAIRMAN RANDALL: Thank you. Okay. We'll take appearances from everyone and – well, do we just need to go ahead and go to Mr. Nelson?

MR. MELCHERS: We can go to Mr. Nelson.

CHAIRMAN RANDALL: Mr. Nelson, we'll just call on you to do your thing. Thank you.

MR. NELSON: Thank you, Mr. Chairman, Commissioners. And good morning to everyone else that's here, too.

I'm Jeff Nelson; I'm the Chief Legal Officer

1 for the Office of Regulatory Staff. I'm here today
2 as the designee of the Executive Director of ORS at
3 this allowable ex parte to be presented by Blue
4 Granite Water Company and conducted in accordance
5 with the provisions of Section 58-3-260(C).

6 As the ORS representative, it's my duty to
7 certify the record of this proceeding to the Chief
8 Clerk of the Public Service Commission, Ms. Jocelyn
9 Boyd, within the next 72 hours, and verify that
10 this briefing was conducted in accordance with the
11 statute.

12 The requirements of 58-3-260(C), in part, are
13 that the allowable ex parte be confined to the
14 subject matter which has been noticed. In this
15 case, that issued notice topic is "State of the
16 company," which seems pretty broad, so there would
17 be a lot of room there for what we're going to
18 discuss this morning.

19 We ask that the presenters, Commissioners, and
20 Staff please refrain from discussing any matters
21 not related to this specific topic.

22 Under 58-3-260(C), participants,
23 Commissioners, and Commission Staff are prohibited
24 from requesting or giving any, quote, "commitment,
25 predetermination, or prediction," unquote,

1 regarding any action by any Commissioner as to any
2 ultimate or penultimate issue which either is
3 before or is likely to come before the Commission.
4 In short, the presenters can't ask the
5 Commissioners for anything, and the Commissioners
6 should not give any opinion or pledge to the
7 presenters.

8 Please refrain, if you can, at all, from
9 referencing reports, articles, statutes, or
10 documents that are not part of the presentation
11 today, so that we don't have to try and chase those
12 down over the next 72 hours to get them turned in.

13 Finally, everyone in attendance here today
14 must read, sign, return a form – you should've
15 gotten a form; you should have also signed in on a
16 sign-in sheet when you came in. Please make sure
17 that you read that form, sign it, and turn it back
18 in before you leave today, or we're going to have
19 to try and track you down and get the form back
20 from you.

21 That's all I have, Mr. Chairman. Thank you,
22 very much.

23 **CHAIRMAN RANDALL:** Thank you, sir.

24 Okay. We'll turn it over to you.

25 **MR. WELLBORN:** Good morning, Mr. Chairman.

1 Thank you, very much. I'm Sam Wellborn, for the
2 company. I'm an attorney at the law firm of
3 Robinson Gray Stepp & Lafitte.

4 First, we appreciate your time this morning,
5 and we hope that you find this allowable ex parte
6 briefing to be informative and useful. As
7 described in the notice, the purpose of this
8 morning's briefing is to discuss the state of the
9 company. The briefing will be presented by
10 Catherine Heigel, Bryce Mendenhall, Travis Dupree,
11 and Bob Hunter.

12 Ms. Heigel is the President of Blue Granite
13 Water Company. She previously served as Chief
14 Operating Officer of Elliott Davis, a regional
15 accounting and business advisory firm headquartered
16 in Greenville, South Carolina. She's also served
17 as Director of DHEC, the South Carolina Department
18 of Health and Environmental Control. She served –
19 before that, served in various roles with Duke
20 Energy, including President of its South Carolina
21 operations. Ms. Heigel joined Blue Granite Water
22 Company in 2018.

23 Mr. Mendenhall is Vice President of Operations
24 for Blue Granite Water Company. He has been
25 employed in the water-and-wastewater profession for

1 over 26 years. Prior to his employment with the
2 company, he worked for more than a decade as a
3 county utilities director, and he joined Blue
4 Granite Water Company in 2017.

5 Mr. Dupree is Director of Project
6 Management/Engineering for the company. He's
7 worked more than 20 years in manufacturing public
8 infrastructure systems and, most recently, he spent
9 13 years with the City of North Myrtle Beach in the
10 Utilities and Public Works Department. In his
11 current role at Blue Granite, he's responsible for
12 development agreements, project engineering and
13 oversight for large capital projects, and he's a
14 licensed PE in South Carolina. He joined Blue
15 Granite in 2018.

16 Finally, Mr. Hunter is Director of Financial
17 Planning Analysis for the company. He joined Blue
18 Granite in 2013, and prior to that he worked as an
19 investment analyst. He is responsible for all
20 rate, accounting, and finance functions for the
21 company. He oversees the company's purchasing and
22 business development activities.

23 Not on our panel this morning, but joining us
24 here in the Commission meeting room, are Michael
25 Cartin, Director of External Affairs and Strategy

1 for the company, as well as Reese Hannon,
2 Communications and Community Relations Director.

3 Our panelists, as Mr. Nelson mentioned, have
4 been reminded to refrain from discussing any active
5 proceedings before the Commission and to speak
6 clearly into their microphones, so as to help out
7 Ms. Wheat. We appreciate your time this morning to
8 hear about the state of Blue Granite Water Company,
9 and at this time, I'll turn things over to Ms.
10 Heigel.

11 **CHAIRMAN RANDALL:** Thank you, Mr. Wellborn.
12 Ms. Heigel, welcome.

13 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** Thank
14 you. We greatly appreciate the opportunity to be
15 here. And the subject is broad, and that was
16 intentional. We would like to share a lot of
17 information with you today, and we welcome your
18 questions at any point during the presentations and
19 certainly at the end, and we just look forward to a
20 good conversation.

21 I do have one quick update. Mr. Dupree's
22 title is actually Vice President of Engineering and
23 Project Management. He was recently promoted. All
24 right.

25 **COMMISSIONER BELSER:** Could you repeat that

1 new title?

2 MS. CATHERINE HEIGEL [BLUE GRANITE]: Oh,
3 sorry. He is Vice President of Engineering and
4 Project Management.

5 COMMISSIONER BELSER: Thank you.

6 MS. CATHERINE HEIGEL [BLUE GRANITE]: So, just
7 as a quick overview.

8 [Reference: Presentation Slide 2]

9 I will lead off with just an overview of where
10 we are as an industry, which I won't spend a lot of
11 time on. I know many of y'all are very familiar
12 with that; you've heard a lot at NARUC and other
13 sources about that. And then I will give you a
14 snapshot of the state of the company, now, about 16
15 months into my tenure as President.

16 Then we'll move into operations, which Mr.
17 Mendenhall will cover, capital projects, and the
18 finance update.

19 [Reference: Presentation Slide 3]

20 Okay. It's no surprise, I think, for anyone,
21 for me to tell you that we have old infrastructure.
22 Like the industry as a whole, water and wastewater
23 infrastructure is, much of it, beyond its original
24 intended useful lives. And so we, as an industry,
25 are faced with a very substantial investment need

1 across the country. And this is not just privates;
2 this is for municipal and government-owned, as
3 well.

4 That leads into that second bullet of
5 "Historic investments needed." You're going to
6 hear today from Mr. Dupree about some of the
7 projects that we have going on right now. You all
8 do receive a regular report from us on our capital
9 projects, and so he's going to kind of pull out a
10 number of key projects from that report that we
11 routinely provide to you and talk about that. But
12 what I want to say is that, as a whole, there's
13 more need than money identified. Again, whether
14 that's government funds or whether you're in the
15 municipal world or whether it's the private world.
16 And that leads into some other challenges for us
17 that I'll talk about later.

18 Increasing environmental compliance
19 requirements. Emerging contaminants, you read a
20 lot about that: PFOA, PFOS, other – I mean, the
21 list is hundreds and hundreds of new compounds and
22 derivations of compounds that we are learning more
23 about, that we don't fully understand the health
24 impacts of. But over time, what we are seeing is
25 those environmental compliance requirements are

1 going to increase. And as we learn more, as the
2 science gets better and as the data gets better
3 about the public-health implications of these
4 compounds, more will be required of utilities over
5 time.

6 We have some facilities on the wastewater side
7 that are already moving to membrane treatment, and
8 Mr. Mendenhall can talk more about that. But you
9 may have seen headlines about things, drugs,
10 residual drugs that are found in shellfish, in
11 oysters, in other fish and things that people
12 consume, that come from just discharge of treated
13 wastewater. And we're learning that some of these
14 chemicals remain longer than we understand. And so
15 we keep our eye on that horizon and we want to make
16 sure that we are understanding it.

17 Aging workforce. We have a lot of – we
18 actually experienced a number of retirements last
19 year in South Carolina and in North Carolina, as
20 well. And so that is just something that we
21 continue to see as an industry as a whole. And
22 that is particularly acute when your pipeline of
23 new workers is narrower.

24 We have a great economy right now with almost
25 full employment. So when you're experiencing

1 retirements at the same time that your available
2 eligible workforce is fundamentally shrinking, to
3 you, that creates a special challenge. So we're
4 having to become more creative as an industry about
5 where we look for operators, and growing that
6 talent from within.

7 Need for scale/regionalization. Again, back
8 to the historic investments in aging
9 infrastructure, you're seeing pushes around the
10 country for regionalization, folks to come
11 together, pool their resources – both talent and
12 monetary – to address some of these challenges.
13 And, you know, certainly we are participating in
14 some of that regionalization activity through our
15 208 Plan compliance.

16 And then, lastly, increasing construction
17 costs. So it's not enough just to talk about the
18 historic investments, but it's almost the perfect
19 storm. At the same time you need to do a lot,
20 you're also spending more to do it than we've had
21 to spend in the past, because – back to full
22 employment, a robust economy – contractors, that
23 market is tight. They have more work than they can
24 take on, which is great for them but a challenge
25 for us. And so we are having to make sure that we

1 are very diligent on our bid processes,
2 particularly for the larger projects.

3 [Reference: Presentation Slide 4]

4 You have up there, I think, in front of you, a
5 booklet that says "Strategic Plan" on the front.
6 It's this document [indicating]. And what you will
7 find in there is our roadmap for who we want to be,
8 what we need to focus on, and how we plan to get
9 there.

10 We developed collaboratively – we rolled this
11 out in December of 2018 – a vision for our company,
12 and it's not something that we previously had. And
13 that vision is to be the preferred private water
14 and wastewater utility for South Carolina customers
15 and communities. We want to be the resource that
16 people come to for their water and wastewater
17 needs.

18 And coupled with that is the mission. And we
19 had a mission statement before, but it was missing
20 some key components, in the estimation of the team.
21 And so the revised mission here is: Our work is
22 really focused on improving the lives of the
23 customers that we serve. And we do that by
24 providing safe, reliable, and cost-effective water
25 and wastewater services, while also being a good

1 steward of our environment. And that last part was
2 very important to our team, to our staff.

3 So we have some lofty strategic goals. And
4 these are really more focus areas for us, and
5 everything we do needs to move the needle in a
6 positive direction in one or more of these four
7 areas.

8 We need to be better at collaboration and
9 engagement, and that's not just with customers;
10 that's with all stakeholders, that's with our
11 employees, with our regulators.

12 Excellence in service. It sounds easy to say;
13 it's hard to do. But it's looking for what is that
14 best practice out there in everything that we do.
15 Lifting our heads up, looking around, and not being
16 satisfied with the status quo.

17 Strong financial performance. We need to be
18 focused on earning our allowed return, and that is
19 important so that we can maintain access to
20 capital, because – back to the prior slide – with
21 the historic investments that we need to make and
22 with the public-health impacts of the product that
23 we provide, we have to be able to do the projects,
24 make the investments needed to be that quality
25 service provider that you expect of us and that we

1 expect of ourselves.

2 And then, lastly, world-class talent. You
3 know, you almost need to start with that. It's all
4 about people. Every organization's success is
5 determined by the quality, the talent, and the
6 leadership of the people involved. And so you'll
7 see that we have a real strong focus on that, and I
8 mentioned the comment about operators and how are
9 we going to train that next generation of operators
10 and leaders for our company, and those are things
11 that we're very keenly working on.

12 So high level, over the last 16 months we've
13 had a lot of new talent come into the company. I'm
14 very excited about that. We did not previously
15 have an on-staff professional engineer, and we do
16 now, one with great experience and two degrees from
17 that flagship University of South Carolina. Mr.
18 Dupree has both a civil and a mechanical
19 engineering degree, so we're very pleased to have
20 that expertise. We have a CPA on staff for the
21 first time, in our financial organization, working
22 for Mr. Hunter. We have just hired a woman to work
23 for us, from Greenville Water, to lead our
24 purchasing/procurement efforts, and Mr. Hunter will
25 talk more about that later. We have a community

1 relations coordinator; Mr. Hannon came to us from
2 Furman University, and we are very pleased to have
3 him. And I wouldn't stop at just the in-house
4 talent. That's certainly been a primary focus, but
5 it takes a team and it's a bigger bench than just
6 your employees. We rely upon contractors and
7 outside engineers every day to help us ensure that
8 we are providing safe, reliable water and
9 wastewater service. And so we really did a very
10 thorough look at the talent that we had in those
11 outside resources and made some adjustments, and
12 also negotiated some rates in a favorable direction
13 for the company.

14 So a lot of good work done on the talent
15 front, because you've got to have the right players
16 to make the types of monumental changes and
17 transformation that we are trying to effect.

18 New processes. You're going to hear more
19 detail from the rest of the presenters about some
20 of the things that we're doing. At a high level,
21 we're overhauling our purchasing process. We've
22 implemented standard operating procedures for
23 wellhouse operations and wastewater treatment plant
24 operations. We are in the process now of refining
25 an incident command structure that we utilized last

1 fall. For better or worse, I have a fair bit of
2 emergency response experience from my time at DHEC
3 with natural disasters, and one of the things that
4 we have improved greatly upon over the last year is
5 our emergency response capabilities and standing up
6 an incident command structure to be able to deal
7 with events – not just natural disasters, but also
8 events, whether it's water supply, which we are
9 currently addressing in York County, or other types
10 of events like that. So that's an improved
11 process. Our contracting – improved our
12 contracting processes and standard bids. And I put
13 in the category of process how we communicate with
14 customers. It's both a technology component but
15 it's also a process.

16 So we have over here [indicating] a display
17 that you see laid out on the table, and then some
18 picture boards here. We have been holding, now,
19 every six months for really the last 16 months – so
20 we've had three, total – workshops for our
21 customers throughout the State in our service
22 areas, and they are set up like a transmission
23 workshop. So rather than a town hall where people
24 come in and they have to wait their turn to speak,
25 and, you know, they have to listen to other

1 people's issues that they really don't necessarily
2 have an interest in, and they may not have time to
3 stay all evening to be heard by us, what we've done
4 is we've set up these booths or tables, and we have
5 them manned. And we have a table on billing and
6 rates and customer service, and a table on
7 technology. And so we brought just the one table,
8 a kind of setup for you to see, here, on
9 technology, so that we are improving our
10 communication with customers.

11 This particular setup is to help our customers
12 understand changes that we will be making, have not
13 yet made, to move to advanced metering
14 infrastructure. And this is a phased approach we
15 are taking, but we want our customers to understand
16 why we're doing it, what it looks like, what it
17 means for them. And they have the ability to talk
18 one-on-one with our operators and engineers to
19 learn more about it.

20 We also are promoting our new online My
21 Utility Connect app, which is a way for customers
22 to pay their bills, see their usage on a monthly
23 basis – ultimately, with AMI, they would be able to
24 see it more real-time – and also to receive, to opt
25 in for push notifications for when there are boil-

1 water advisories or other types of alerts that we
2 would want to send out. They can get them via
3 e-mail or text, however they should elect. So
4 these are some new things, but we use that process
5 of engaging with our customers in person every six
6 months or so, to be able to do that. There are
7 still a lot of customers who, you know, they're not
8 going to read the bill inserts, or, if they read
9 it, they don't understand it and they have
10 questions. So we're giving them an opportunity to
11 come interact with us directly.

12 I talked about new technology briefly.
13 There's a lot of new systems, most of which are
14 kind of behind the scene for customers: new
15 financial planning software that Mr. Hunter's been
16 working to help implement, the My Utility Connect
17 program, which is live and working, and then we are
18 working with Oracle now on a new purchasing
19 platform which will streamline that process even
20 further. So I'll let Mr. Mendenhall talk more
21 about the asset management technology that we're
22 now utilizing.

23 And then, lastly, the brand. So, a brand is
24 more than a name and a logo, but – because, to me,
25 the brand is the people, it's the culture of the

1 company. And while we worked very, very hard last
2 year to develop a new vision and mission and talk
3 about what are our strategical goals and what are
4 the initiatives and things that we're going to do
5 to move that forward, and our core values, and how
6 are we going to do it, how do we behave, what are
7 our expectations of one another, at the end of the
8 day what we really needed was an external, outward
9 manifestation of that internal culture change. We
10 needed a new name, we needed a new logo. And that
11 was probably one of the greatest morale lifts for
12 our employees. We had, candidly, a lot of
13 employees, mostly here in the Midlands, who didn't
14 want to wear their work shirt to the grocery store.
15 We had one employee give a small, modest campaign
16 donation to a legislator who was a family member,
17 and it was torn up and said, "I really appreciate
18 the sentiment, but I can't have that company on my
19 register." And so think about that impact on
20 employees. That's hard.

21 We really needed not only to internally lift
22 people up, give them something to aspire to, and
23 hold people accountable – it's not just fluff;
24 there's real expectations behind all this, and we
25 have a very robust dashboard that is tracking what

1 we're doing and how we're doing. We needed that
2 outside symbol, and it has made such a big
3 difference, and employees are proud to work for
4 Blue Granite Water Company. And that is probably –
5 if you ask me what my – where my pride comes from,
6 of all the things we've done over the last year, I
7 will tell you it's the fact that employees are
8 proud to work for this company again. And that's
9 the foundation for everything else we have to do,
10 because it's heavy lifting. There is a lot that
11 has to be done, a lot that we're balancing, and not
12 least of which – and I should've put it on that
13 first slide – is impact on rates and affordability
14 for customers. And so we're doing a lot. We're
15 going to be stressing rates, and there's just – and
16 we know it, and we are trying to be as prudent as
17 we can, to make sure that we meet that mission,
18 maintain the affordability of rates, but at the end
19 of the day are providing that reliable service that
20 our customers expect.

21 So I am now going to – oops, I've got one more
22 slide. I've already talked about most of these
23 things.

24 [Reference: Presentation Slide 5]

25 I do want to take just a second on the social

1 media and customer communications, the continuing
2 challenges and opportunities. I listed it as both.
3 Social media is a great way for people to stay
4 connected to the company, to one another, to know
5 what's going on. It is a very fast means of
6 communication in getting messages out. The
7 challenge is that it is also a very fast means for
8 distributing and disseminating misinformation. And
9 so these are things that we work with to – we try
10 to get out ahead of things where we can, but just
11 to give you one tangible example, we, several
12 months ago, had a boil-water advisory. We did the
13 alert. It still goes out through Voice Reach.
14 Some people – I don't think we had My Utility
15 Connect live at that point. And someone in the
16 neighborhood had posted on Facebook that the boil-
17 water advisory had been lifted, and people started
18 – and they – notwithstanding that they had not
19 heard from us that it had been lifted, people were
20 starting to use the water. Fortunately, some
21 people were calling us, into our customer service
22 center, to ask, and we were able to explain, but
23 there are some folks who won't do that. They'll
24 see a Facebook post and they'll act on that.

25 And so that's a challenge, because that's

1 obviously a public-health risk. So what that means
2 is it's incumbent upon us to be quick to the punch.
3 We have to be making sure that we're getting our
4 messages out, and not only getting them out but
5 sustaining some level of messaging. And
6 historically we've sent a message out and then
7 we've just waited for the event to pass, then we
8 issued a release. Well, if there's two days in
9 between, that's light years for – I mean, that's a
10 lot of time for a lot of folks. And so we are
11 going to have to do a better job of that more
12 consistent messaging.

13 208 Water Quality Plans. We have – as you all
14 know, the I-20 plant was taken pursuant to the
15 Midlands Council of Governments' 208 Water Quality
16 Plan. The Friarsgate Plant was recently
17 interconnected pursuant to that same plan, and we
18 are continuing that work.

19 We have – I actually have a meeting on Friday
20 with ReWa, in Greenville, to talk about a sizable
21 expansion that they are looking to do, which would
22 actually allow us to interconnect our Canterbury
23 Plant, and that's very collaborative. All of our
24 interconnection discussions have been very
25 positive, very fruitful, very collaborative, save

1 for the Town of Lexington discussions, and I'm
2 hopeful that we can continue to make progress
3 there.

4 But we are serious about adhering to the terms
5 of our permit. We are serious about the public-
6 health implications of having aging plants that
7 continue on expired permits, that are not
8 connected. We cannot do what, perhaps, the company
9 did in the past, which is sit back and just wait
10 for these issues to be resolved so that progress
11 can be made. And what happens is, then, eventually
12 somebody sues somebody. We are taking a very
13 proactive approach to these issues and planning;
14 it's the best thing for our customers, it's the
15 right thing via our mission where we talk about
16 being good stewards to the environment. But when
17 you have, in the case of our Watergate Plant, a
18 plant that was built in 1973 that's been on an
19 expired permit for several years now without any
20 action on that permit renewal application, and a
21 request that is now almost a year old – formal
22 request with the Town – to interconnect that
23 facility, at a certain point, you know, just
24 waiting isn't an option.

25 And so those are the challenges. It's also an

1 opportunity for us, but I did want to make sure
2 that I took a moment to talk about that, because
3 that has certainly been something that you all have
4 been called to approve interconnection agreements
5 for us, which we greatly appreciate.

6 [Reference: Presentation Slide 6]

7 **MR. J. BRYCE MENDENHALL [BLUE GRANITE]:** Good
8 morning, Commissioners. I'm Bryce Mendenhall, Blue
9 Granite Water Company. I appreciate your time this
10 morning.

11 Wanted to talk with you a little bit about
12 operations, but some technology pieces that we're
13 following and that are enhancing our operations as
14 much as anything.

15 What we have is an OMS; it's an operations
16 management system that we – it's called Lucity –
17 rolled out back in 2018, in October. So if you're
18 familiar with GIS, geographic information systems,
19 then it's a – we pour that together with a computer
20 maintenance management system. We put both of
21 those together. Ultimately, what we have is staff
22 members that have basically an iPad, and that
23 drives their day.

24 Basically, we issue – we do work orders from
25 it; we do a multitude of things. But it integrates

1 a lot of systems. And what we're integrating is
2 GIS, the mapping component of it; Customer Care and
3 Billing; our asset registry, which is where we're
4 looking at total assets across the company, linear
5 and aboveground; purchase orders; timekeeping. We
6 look at our HSE components, our health, safety, and
7 environment. They get work orders on them, and
8 also they do preventative maintenance on it. And
9 we track that all along.

10 So the benefits of coupling all of those
11 pieces that I just gave you – the benefits we get
12 from that and that we pass on to our customers, as
13 well, is we've got improved ability to access
14 information and we can see what our assets are. We
15 can see what the ages of our assets are. We can
16 see how they're performing in the field for us.

17 Moving forward, customer service. If our
18 staff is in the field, it's not the fact of a phone
19 call anymore or coming back to the office to see
20 what work orders we may have. It's real-time.
21 When it's pushed out through our customer service
22 rep's, it's appearing on their iPads. It shortens
23 their return time, shortens their response time,
24 and it gives us quicker service to our customers on
25 the end use of the line.

1 A big piece of it is preventative maintenance.
2 As we have issues with pumps or controls, we are
3 monitoring that. We're taking record of it. If we
4 have repetitive issues with a facility that we
5 have, we're seeing that trend, and that becomes a
6 point of repair for us, or a point of attention for
7 us.

8 We're actually using this tool to go through
9 and assess the condition of wastewater treatment
10 plants, wellhouses, pumps. Any asset that we have,
11 we go through and we make a condition assessment of
12 it. It helps drive what capital expenditures we
13 may have, so that it's prudent spending for the
14 replacements that we may need.

15 Service levels and risk comes back to our
16 staff tracking main brakes, main repairs. If we
17 have a piece of the system that's giving us
18 repetitive issues, we've got repetitive responses
19 to, we can track that; we can trend it. Is there a
20 pressure issue? Is there a pipe issue? Is this a
21 replacement piece? Is it not just replacing a
22 service but us looking to do a whole-scale pipe
23 replacement?

24 So we're making more educated decisions based
25 on this tool that we have. And that's the last

1 bullet that it shows: better data to support
2 decision-making, which increases our ability to
3 project capital projects that have the most benefit
4 and maintain our systems as well as we possibly
5 can.

6 [Reference: Presentation Slide 7]

7 So this is one of our fine operators in South
8 Carolina. And I know it's hard to see, but this is
9 a work order that is generated from our Lucity
10 program that is pushed out by the CSRs – our
11 customer service rep's, rather. So, basically,
12 this is what would appear on their screen, and it
13 gives them general knowledge of what the issue or
14 the event is that we need to address. In this
15 case, I can no longer see that far, so I apologize,
16 but this referred to a main break. And so, this is
17 what we get from it.

18 **MS. CATHERINE HEIGEL [BLUE GRANITE]:**

19 [Indicating.]

20 **MR. J. BRYCE MENDENHALL [BLUE GRANITE]:**

21 [Indicating.] That's better.

22 So the one thing that I would add to it is
23 we're adding a lot more information to these events
24 than we ever did before. So in this case, a
25 contractor hit a water main. The operator tells us

1 – and, actually, the operator that’s in the picture
2 was the one that filled out and responded to this
3 incident. He gives us a definition – he or she
4 gives us a definition – of what they did when they
5 arrived on scene, what they evaluated, the valves
6 they turned off. So it’s keyed up in the notes for
7 the incident comments that you’ll see right in the
8 middle of the page. The other piece of this is it
9 goes through and it walks the operator through: Do
10 we need a boil-water advisory? Do we need a Voice
11 Reach? But one of the other key pieces that I’m
12 going to hit on in just a minute, but it starts to
13 tell a story, is that we look to see what water
14 loss we have. We’re trying to account for non-
15 revenue water but we’re looking to see the impact
16 that that has overall on our losses. So our folks
17 in the field are making that estimate. It is an
18 estimate. There’s a science that goes to it, and
19 it is purely an estimate, but it’s based on
20 experience. But we are trying to track that and
21 get ahold of it, and manage it better than we have
22 done in the past.

23 [Reference: Presentation Slide 8]

24 Here’s an additional service order that you’ll
25 see, and this is just a common work order. If you

1 look in the middle, the second line there, it
2 refers to this as a "read meter for a start/stop."
3 But this is the information that our folks are
4 getting real-time. So it helps us with tracking;
5 it helps us with accuracy, as well, as we go
6 through, because we are writing down – we have a
7 meter number that's populated on it, we have a
8 subdivision that it's in. There's multitudes of
9 information that, if there was any water loss –
10 once again, you see we're looking for estimated
11 water loss, if there's an issue that is found at
12 that meter when they go perform this. And so in
13 the notes it tells the operator – the customer
14 service rep, his notes – this is exactly what they
15 need to do. They need to take a final read and
16 leave on. If they follow the directions – and they
17 do – instead of cutting it off and having to make a
18 return trip, we're being more efficient at our jobs
19 because, in this case where we took a final read
20 and left on, other events – you know, before we had
21 technology and there's miscommunication, as a
22 start/stop read, we may have cut that meter off and
23 there would've been a return trip there. So this
24 is where I think it helps, and it is proving to
25 help efficiencies of our operators in the field and

1 the service that we deliver.

2 [Reference: Presentation Slide 9]

3 Non-revenue water. Very popular term. It's
4 called "water loss" now. It can be referred to in
5 different means, different ratios, and different
6 people call it different things. What it boils
7 down to is water that is pumped or produced or
8 purchased that is not sold and is otherwise
9 unaccounted for.

10 In this case, we've recently adopted and
11 addressing our non-revenue water. How do we do it?
12 That's the key piece is how do we do it? We're
13 using new technology. It's been around overseas
14 for a while but it's called helium leak testing,
15 and it's basically a sniffer test. We inject
16 helium gas into the water lines. Perfectly safe;
17 it's a perfectly accepted practice. We let it
18 migrate through the system 24 to 36 hours; then we
19 come back out, or our contractors do, come back out
20 with a device that actually smells for the helium.
21 And when we get the highest helium reading, that
22 generally pinpoints a leak. It's noninvasive; it
23 gives us a good results, and we're going to move
24 forward with more studies. Not a lot of
25 contractors are performing this technology, so you

1 kind of have to get in line with their
2 availability, but it has proven to be very
3 effective.

4 Otherwise, we're using ultrasonic testing.
5 Basically that's a listening device. That gets
6 real challenging, because, basically, the only way
7 you can do a true listen is late night hours, early
8 morning hours, because if you ever had one of those
9 headphones on and let a car or a Harley-Davidson or
10 something go by you, you don't hear anything else
11 for the rest of the leak test. So it makes it kind
12 of challenging at the times you go through.

13 Meter replacement program. Meters are just
14 like anything else; the more water that goes
15 through them, their accuracy goes down. They wear
16 out. Not a lot of moving parts in them, but
17 nonetheless they do wear out. I think that's a key
18 piece, and in my years of experience meters are
19 your biggest culprit as far as non-revenue water.
20 Older systems with leaks in lines, I understand
21 that, and there's allowable leakage in certain
22 lines, but I think meters and slowing down what
23 they are representing as water goes through them is
24 one of the biggest culprits, and I think that's a
25 key piece is getting meters on a rotating

1 replacement program.

2 Internal water audits by system. So one thing
3 we've done within the company, obviously, is we go
4 through and we look to see how our systems are
5 performing. There's a multitude of different ways
6 to do that, but we're looking at total water
7 supply, total water pumped, and then what are we
8 recovering, what is actually being sold.

9 One key piece of that goes back again to
10 meters, your source water meter. How often are you
11 testing it? What is the age of it? What is the
12 loss in it? Is it still operating at 98 to 99
13 percent accuracy? If it's not, then slowly we
14 start taking off that percentage of what is
15 recognized. The higher the flow, obviously, the
16 simple math is the higher the non-revenue water
17 that comes through.

18 Meter accuracy. Still – you notice a tone –
19 meters are a big piece to me. Small meters, which
20 are, to a degree, our bread-and-butter because
21 that's the most predominant meter that we have,
22 what we're going to do is put a policy in place or
23 enact a policy to test 1 percent of active meters
24 in the water systems. One percent does not sound
25 like a lot, but when you base it on the overall

1 customer connections that we have, that's a pretty
2 good number. And it gives us an idea of
3 performance. Obviously, we're not going to go look
4 at the shiny new meter that's just been placed in.
5 We're going to look for those that have higher
6 consumption or very high consumption, on a rotating
7 basis, and that's what we're going to base the test
8 on. That's going to drive a meter replacement
9 program.

10 Large meters, greater than one inch. The plan
11 is to test at least every two years, depending on
12 consumption. And one of the big pieces there is
13 consumption. And then, as we build a pattern of
14 how the meter is performing, based with its age, it
15 may speed up or slow down the testing that is
16 required. Large diameter meters have the potential
17 for greater loss. They're not as accurate as a
18 small meter, depending on the application that they
19 are in. That's another key piece of meter
20 accuracy, as well, that's not depicted here, but do
21 we have the right meter – large diameter meter – do
22 we have the right meter in the right application?
23 Could it be a turbine, could it be a compound?
24 That's one thing that we will be evaluating, as
25 well, as we look at these meters.

1 Total water supply. I just spoke about that a
2 little out of order, but that's looking at source
3 water meters to make sure that we're representing
4 the total flow coming through.

5 Billed and unbilled consumption. So, we use
6 water for a multitude of reasons, also, in our
7 operations, when you look at main flushing for
8 water quality, main breaks that we can't plan for
9 with a large loss, tank overflows that may be due
10 to failing altitude control valves or transducers,
11 and then filter backwash at our wastewater
12 treatment plants. There's a multitude of places
13 that we use water, but are we using it effectively
14 and are we doing it efficiently? And that's one
15 thing that we are going to be reviewing to make
16 sure.

17 Apparent loss management. Zero consumption
18 and vacant status reports. We are already
19 reviewing these. And zero consumption – if we read
20 a meter and we get a report back and it says
21 there's zero consumption and it's an occupied
22 dwelling, there's an issue. We need to know that
23 and we need to address it. And that's when, going
24 back to the work orders that you saw posted, that's
25 when we send those out; we send a work order out to

1 verify. Now, it can indicate a stopped meter, it
2 can indicate somebody may have bypassed the meter.
3 A multitude of different things. Vacant status
4 reports, same thing. If we're not reading a meter,
5 we're comparing what we're seeing on the grounds
6 where we have readings to what we're billing. So
7 it's just a double-check. It's a matter of checks
8 and balances to make sure that we're accounting for
9 every usage that's going on and that we're billing
10 those accordingly that are using water from Blue
11 Granite.

12 [Reference: Presentation Slide 10]

13 Last is our key performance indicators, our
14 KPIs. I know this is hard to see, but it tells a
15 story. So in your packet you will see that I've
16 given data from '17, '18, and then '19. It talks
17 about our targets, it talks about our actual for
18 2019, and it gives a multitude of different pieces
19 of information.

20 A couple that I'd love to draw your attention
21 to, though, is to look at percentage of water
22 system days in compliance. This goes back to Ms.
23 Heigel's discussion of bringing talent in, world-
24 class talent. We have staff now that take pride in
25 the job they do and the commitment they have to

1 those that they serve. And what you see
2 represented on the first line is, in '17, 95.9
3 percent, to '18, 98.4, but I get a big smile on my
4 face when I see January, February, and March, 100
5 percent across-the-board. That's dedication from
6 this world-class talent that we're bringing in.

7 If you look at the next place, field
8 activities, 2017, 85.4 percent completed on time.
9 If you look at January, February, and March, we're
10 exceeding 98 percent. Huge adjustment. And that
11 is a true benefit to our customers. That is the
12 commitment that these staff members are putting in
13 every day.

14 If you go through – and then I'll point to a
15 couple of other things, because I don't want to
16 jinx myself but I want you to look, too, at OSHA
17 lost-time frequency and other injuries. Not only
18 are we performing better for our customers, we're
19 doing it in a safe manner. And that is a credit to
20 our own in-house talent with our health and safety
21 manager, who works with these staff members day in
22 and day out, and promotes this safe environment.

23 And the last one that I want you to look at,
24 too, is, finally, percent of wastewater system days
25 in compliance: 95.9 percent in '17. And if you

1 look across-the-board at 99, 99, and 99 for
2 calendar year 2019, that's what makes me proud of
3 the staff, and that goes back to the commitment
4 that Ms. Heigel spoke about from our employees.

5 Commissioners, thank you for your time.

6 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** All
7 right.

8 **COMMISSIONER ERVIN:** Can I ask a question, Mr.
9 Chairman?

10 **CHAIRMAN RANDALL:** Yes, sir.

11 **COMMISSIONER ERVIN:** It's been an informative
12 presentation, so far. I want to thank you for
13 coming. With some of these new technologies that
14 you've talked about, it's interesting that they
15 have a lot of potential, but, for example, you
16 mentioned using helium to find leaks in the line.

17 **MR. J. BRYCE MENDENHALL [BLUE GRANITE]:** Yes,
18 sir.

19 **COMMISSIONER ERVIN:** My understanding is that
20 there's been a shortage of helium during the past
21 year, and I'm just wondering have you factored that
22 into your planning decisions? I believe the cost
23 of helium has gone up about 135 percent year-to-
24 year. And Qatar is one of the countries where it's
25 mined, and it's currently being embargoed by Saudi

1 Arabia. So that's about 30 percent of the market
2 that's been taken out.

3 **MR. J. BRYCE MENDENHALL [BLUE GRANITE]:**

4 [Nodding head.]

5 **COMMISSIONER ERVIN:** So are you committing to
6 a technology that's sustainable, going forward, to
7 use that?

8 **MR. J. BRYCE MENDENHALL [BLUE GRANITE]:** What
9 I can tell you is, over the past two years, the
10 shortage has not affected us. The shortage,
11 Commissioner, is with contractors that actually do
12 the work. The prices for the helium testing have
13 stayed pretty static over the course of the past
14 two years. In two more years, there may be a
15 better technology, in all honesty, that may outdo
16 helium. But currently, now, the problem I'm having
17 is actually getting the contractors in, because
18 they're so limited, but I have not had any
19 experience with any issues with the shortage, no,
20 sir.

21 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** We've
22 done the helium testing in systems in North
23 Carolina to great effect, in terms of the results.
24 One of the challenges that we have, though, is
25 there aren't very many contractors who do it – and

1 maybe it's the supply of the underlying commodity
2 that they need – because we would like to do this
3 testing in our River Hills area currently, and we
4 are having an availability issue. There's also the
5 issue that the contractors that do the testing want
6 to be the ones that do the repair work or whatever
7 point repairs or other work is identified. So
8 there are a number of challenges. So, as you saw,
9 it's kind of – there's no silver bullet, but –
10 yeah, we are seeing some challenges with that
11 particular technology, but it has shown great
12 promise to us.

13 **COMMISSIONER ERVIN:** Well, it's good to know
14 that you're using independent contractors so that
15 your company is not necessarily investing in that
16 technology.

17 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** No.

18 **COMMISSIONER ERVIN:** You're just contracting.

19 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** That's
20 correct.

21 **COMMISSIONER ERVIN:** And you have the ability
22 to do it in the most cost-effective way, so if
23 prices do go up you're not going to have to commit
24 to some kind of long-term deal.

25 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** That's

1 correct, there are no long-term deals. It's been a
2 system by system.

3 **COMMISSIONER ERVIN:** Thank you.

4 [Reference: Presentation Slide 11]

5 **MR. TRAVIS DUPREE [BLUE GRANITE]:** Good
6 morning, Commissioners. I'd like to thank you for
7 this opportunity to talk with you about our project
8 management and engineering.

9 So, as Ms. Heigel referred to, we have some
10 unique challenges, especially with projects when it
11 comes to cost and trying to find contractors. In
12 the past, we have been more in a reactive mode, as
13 a company. That has since changed; we are more
14 proactive now. And with that being reactive, we
15 have been able to take care of some of the
16 outstanding projects, including Friarsgate
17 wastewater treatment plant connection, the Shandon
18 connection to Carrollton Place, and the Stonegate
19 water connection. So this shows that we are
20 basically moving forward and stepping up to the
21 plate to get things done quickly and efficiently,
22 and in the best interests of the customers.

23 One of the things that helps us pull out of
24 this reactive mode and into a more proactive mode
25 goes back to the OMS system and the GIS that we are

1 currently working on, and will be working on for
2 some time. Just like a majority of the
3 municipalities or utilities out there, they have a
4 very difficult time with GIS and OMS. For the most
5 part, they don't to do it. I've been on the other
6 end of the spectrum – or, I shouldn't say
7 “spectrum,” but on the other end working for a
8 municipality, so I know firsthand how difficult
9 that can be. But once you move down that road and
10 you see the benefit, it definitely will help you.

11 And one of the areas it helps you in, for
12 instance, Mr. Mendenhall talked about locating line
13 breaks and if you see reoccurring issues on certain
14 lines or you see reoccurring issues on certain lift
15 stations, wells, anything of that nature, that's
16 something that I can use or we can use as a company
17 to plan for the future, which if you can plan for
18 the future, once again, you go back to being
19 efficient and getting things done that actually
20 benefits the customer, once again.

21 Some of the more current projects that we are
22 focused on are wastewater collection systems, which
23 include Fairwood, Pocalla, Oakland, and the
24 Beaufort system known as Palmetto Estates. We are
25 in the middle of performing analysis for those

1 four, and actually we are wrapping up the analysis
2 for the Beaufort system. So in the next few weeks,
3 we will have that analysis completed. And then,
4 once we do that, we will move forward with doing
5 whether it might be lining of the sewer system or
6 full all-out pipe replacement. We have hired a
7 terrific consultant that understands our systems
8 and is assisting us on the GIS end, as far as
9 getting the data inputted, so they're helping us
10 with analyzing this data because they're most
11 familiar. So once again, that's being efficient
12 and it's a cost savings so we're not having to deal
13 with multiple consultants, because you have one
14 consultant that's familiar with everything.
15 They're not having to keep go back and look at
16 different systems, because they've already looked
17 at it before.

18 So some of the things that, you know, we try
19 to focus on when it comes to these projects, it
20 might be the small things. Looking at site layout,
21 you know, we've – I've seen some lift stations, for
22 instance, in my days, where they've maybe not
23 located that lift station in a safe location. And
24 if you look at it again, you can say, "You know
25 what, I could pull it out of what could potentially

1 be a flooded lift station, also plan for the
2 future,” so that if there’s any additional
3 connections that need to be made or there’s growth
4 in the system, you want to be able to think about
5 that and lay those out. Same thing with piping
6 layout, you know, so it’s the small details that we
7 try to focus on.

8 One of the things with the planning that comes
9 – that helps with the project scoping, the upfront
10 scoping. And with that scoping you’re able to
11 better determine what are your construction costs
12 going to be? What is your schedule going to be?

13 When we were talking about the contractors,
14 how difficult things are, if we can take and plan
15 further out for these projects, then we can
16 actually bid these projects out in a much more
17 efficient fashion that allows these contractors to
18 put it in their pipeline, instead of having to be
19 so rushed and get it out to contractors where the
20 contractors are saying, “Well, if you want it done
21 now, you’re going to pay a premium for that.”

22 Well, we’ve got to get rid of that mindset. And
23 which, we have not paid a premium; that’s the one –
24 the benefit to the one thing that I’ve been able to
25 focus on is make sure, in the upcoming years, we

1 don't go down that road.

2 With that being said, we are moving forward.
3 We're making things happen. And it's been in a
4 positive manner. Ms. Heigel, Mr. Mendenhall, even
5 Mr. Hunter, we've all worked together to try to
6 improve these projects and to do them as
7 efficiently and as economically as possible.

8 I have listed a number of projects here on
9 these slides. This is the water system projects
10 that we're working on. The next two slides –

11 [Reference: Presentation Slide 12]

12 – are the current sewer system projects we're
13 working on.

14 [Reference: Presentation Slide 13]

15 And I would say, on a weekly basis almost, we
16 are adding to this list. So we are moving quickly
17 to get things done. And we're also closing these
18 projects out as fast as we can.

19 Other than that, if there's any questions,
20 I'll be glad to take them.

21 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** I'll
22 just add onto Travis's summary – and you see a lot
23 of things here. But I think it's a general theme
24 in terms of capital projects, we're focused on
25 solving legacy problems and preventing future ones,

1 bottom line. So you'll see in the last year there
2 are some issues that this Commission has heard
3 about for many, many years at Forty Love Point;
4 Stonegate, water quality; certainly, Friarsgate,
5 the collection system and the treatment plant.

6 And the Forty Love Point project is done. To
7 date, we have not received any complaints, and so
8 those solutions appear to be working.

9 The Stonegate interconnection is a water
10 interconnection that was made with the City of
11 Columbia, and that went live in April, and so the
12 discolored-water complaints have ceased.

13 The Friarsgate interconnections has been made
14 and that certainly, of course, was the subject of a
15 lot of media coverage for many years prior to 2016,
16 but particularly after July 4, 2016.

17 And so we are focused on solving problems,
18 looking at things differently and not accepting,
19 "Well, that's just the way it is." New views, you
20 know, new perspectives, and not giving up. And so
21 I think that's what our customers expect of us.
22 It's what I expect of my service providers. And so
23 we are delivering on that, and Travis is doing an
24 outstanding job of bringing these projects through
25 the pipeline in an effective and efficient manner.

1 **CHAIRMAN RANDALL:** Commissioner Belser.

2 **COMMISSIONER BELSER:** Good morning. Thank
3 y'all for being here. I appreciate all this
4 information you're giving us.

5 Just looking at the list of the capital
6 projects, when y'all – when the company starts
7 looking at the possibility of interconnecting
8 either water or sewer, do y'all ever talk to other
9 utilities or ORS or DHEC or any other entities that
10 may have had issues or dealings with other
11 utilities that have interconnected with third-party
12 providers, to see issues that might have arisen
13 with those utilities, before you make a decision?

14 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** Well, to
15 be fair, in these cases, Stonegate was a DHEC
16 consent order that required us to do the
17 interconnection with the City.

18 **COMMISSIONER BELSER:** I understand.

19 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** Yeah, so
20 we didn't really have the discretion in that.

21 What we try to do is, yes, we do our due
22 diligence. Oftentimes, we don't have a lot of
23 options.

24 **COMMISSIONER BELSER:** I understand.

25 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** Yeah.

1 So it's not – with Friarsgate being the exception,
2 the wastewater treatment facility. We had the
3 option of Richland County or the option of the City
4 of Columbia. The City was closer and Richland
5 County ultimately did not put in – we talked with
6 both; Richland County did not put in an offer.

7 **COMMISSIONER BELSER:** Is there usually a – it
8 may not be a DHEC consent order, but, I don't know,
9 it could either be cost of replacing a plant that
10 may require – or a well – that may require an
11 interconnection, or what other reasons might
12 require interconnection?

13 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** It's
14 ultimately always going to be quality of service
15 and total cost to the customer over the long term,
16 not just short term. So I'll give you one example
17 right now that we're looking at that's not a DHEC
18 requirement, but we're looking at whether an
19 interconnection makes sense and then over what time
20 horizon, and that's our Roosevelt Garden system,
21 which is wastewater treatment, in Orangeburg
22 County. And so that's one that we have to decide,
23 do we build a new plant – because this is end-of-
24 life, so we've got a decision to make. We've got
25 compliance challenges, and back to we're not going

1 to wait for something to break, we know enough to
2 know something needs to be done in the near term.
3 So our options are: build a new plant or seek an
4 interconnection. And so, right now, parallel path,
5 we're looking at both, and then over what time
6 horizon. And then how long would that take, and
7 then what do we do in the interim to ensure
8 compliance. So – but does that answer your
9 question?

10 **COMMISSIONER BELSER:** It does. It just – I
11 think, from having been in this area as long as
12 you've been, I think we've kind of had parallel
13 time in the industry.

14 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** Yeah.

15 **COMMISSIONER BELSER:** It comes back down to
16 the expense and is it going to be the expense for
17 the consumer of the increase in the bill to pay the
18 private utility or if there's going to be a
19 dramatic increase in the bill with a third-party
20 provider.

21 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** Right.

22 **COMMISSIONER BELSER:** And so I was just kind
23 of curious as to what information the company might
24 seek before making a decision –

25 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** A lot.

1 **COMMISSIONER BELSER:** – on whether to go
2 forward in-house and either build or repair, or
3 seek the interconnection.

4 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** A lot
5 goes into it. You know, you can't look at it in a
6 vacuum. If we were looking at it in a vacuum, from
7 the company's perspective, we'd build a new plant.
8 Right? Because that's –

9 **COMMISSIONER BELSER:** Right. Rate of return.

10 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** – rate
11 of return. But we can't look at it that way,
12 right? We have to look at what are the
13 environmental requirements. That particular
14 facility does not have a 208 requirement, but might
15 it in the future? You don't want to build a
16 stranded asset. Regionalization is certainly where
17 we are headed. And by the way, in the spirit of
18 regionalization – which I strongly believe in,
19 because scale matters – we want to be a player in
20 that. We believe the private utilities have the
21 capital that a lot of municipalities and county
22 governments struggle to come up with to be the
23 regional provider. We're not that, currently. But
24 that's where we are looking to grow.

25 So we look at the environmental implications

1 and what are today's standards, what might the
2 future hold, what is the growth in that area, is
3 there growth anticipated that would tip the scale
4 in the favor of one direction or another. There
5 are some – we have a system in Georgetown that's a
6 collection-system-only where we approached the
7 county – they do all the treatment – about whether
8 – it is so far away from everything else that we
9 have, whether that made sense for the county to
10 own. And their response to us was, if we paid them
11 a certain amount of money, they would take it.
12 Well, unfortunately, that's not in our customers'
13 best interest at this time.

14 Those are the types of conversations we are
15 really looking at. We're trying to be holistic in
16 the analysis. But make no mistake that the
17 question overarching these decisions is what is in
18 the customers' best interest in maintaining
19 affordable rates over the long term.

20 **COMMISSIONER BELSER:** Thank you. Appreciate
21 it.

22 **MR. ROBERT HUNTER [BLUE GRANITE]:** Good
23 morning, Commissioners. Again, appreciate your
24 time in listening to our presentation.

25 [Reference: Presentation Slide 14]

1 So, I'm going to go over, initially here, some
2 of the finance, what I consider, core objectives.
3 So really the ultimate goals are making sure that
4 we're having the capital to invest in aging
5 infrastructure, as Ms. Heigel mentioned, as well as
6 maintaining the financial performance and health of
7 the company, and ultimately being conscious and
8 aware and making sure we are managing any rate
9 impact to our customers.

10 Just going down the list, the first one is:
11 Invest capital prudently. So that's meaning, you
12 know, we're making sure that we're planning out and
13 prioritizing our capital spend, making sure that
14 we're investing that capital prudently.

15 Reduce operating expenses. This is very
16 important; it's a key component since, again, rates
17 are really given back to the customer as dollar-
18 for-dollar when we're looking at operating
19 expenses. So we want to make sure that we're being
20 thoughtful and measured in how we manage our
21 operating expenses, to make sure that, where we
22 can, we're being efficient, and also to make sure
23 that we're reducing operating expenses and looking
24 for opportunities to save money whenever we can.

25 Mitigate risks. This could refer to a few

1 things. A couple that come to mind are standard
2 contracts – ss Ms. Heigel mentioned, we’re looking
3 to make sure that all our vendors have standard
4 contracts and terms, that they’re following the
5 codes and standards and policies that we expect of
6 our vendors working on our systems – ss well as
7 asset management, making sure that we’re, again,
8 planning out, mitigating any risk, making sure
9 we’re prioritizing our projects to address the most
10 critical infrastructure to make sure we avoid any
11 higher operating expenses down the road.

12 Recover costs timely. This is an item that
13 I’ll touch more on in a couple of slides, but this
14 is critical to the financial performance of the
15 company, obviously. The rate of return and what we
16 have is impacted greatly by how quickly we can
17 recover our costs.

18 And then, finally, maintaining access to low-
19 cost capital. Again, this is critical to
20 addressing the aging infrastructure problem. We
21 want to make sure that we have the capital and that
22 we’re able to invest in South Carolina, since we’re
23 competing with everyone else just within our
24 company and within the industry across the states
25 to really have that capital to invest in our

1 assets. And, again, I'll touch on that a little
2 bit more in detail in a couple of slides.

3 [Reference: Presentation Slide 15]

4 So one of the new initiatives that we've
5 really been focusing over the last about a year –
6 and this really goes to cost management – so this
7 is trying to address that reducing operating
8 expenses and making sure that we are really looking
9 at areas where we can save and looking at new ways
10 to manage this.

11 And so, doing this, we've set up a centralized
12 purchasing or procurement function within Blue
13 Granite Water, and this goes back to bringing in
14 world-class talent. So we currently have a
15 purchasing coordinator that's in South Carolina
16 over Blue Granite Water, a former operator that has
17 transitioned. We developed the talent within and
18 now promoted her to the purchasing coordinator
19 role. And then, as well, as Ms. Heigel mentioned,
20 we've brought over and have a purchasing manager
21 coming on-board in a couple of weeks from now. And
22 she's coming over – her name is Valerie – from
23 Greenville Water, and she has over three years of
24 experience there in the purchasing manager role, so
25 direct experience in purchasing, inventory, and is

1 going to bring a wealth of knowledge to us and be
2 able to help us really become a sophisticated
3 inventory and purchasing function.

4 So we're looking at doing this – we're looking
5 at purchasing improvements. And the reason we're
6 doing this is for a couple of reasons. It's really
7 to identify savings opportunities and improve
8 controls. And when I say identify savings
9 opportunities, we're looking at things like
10 leveraging our buying power, fixed statewide
11 contracts, and this comes down to having one
12 central function that has a role to really be
13 looking across the State, looking at all the
14 vendors we use, looking at what we're spending in
15 one area versus another area, and really analyze
16 and find areas that we could save or there may be
17 efficiencies that we're gaining on.

18 One example I can share is, in the past year,
19 is just lawn mowing and landscaping. Prior, we had
20 numerous vendors doing similar work across the
21 State. We were able to look at that at a holistic
22 level, bring it down to one, now, statewide
23 contract where we have one vendor that's
24 responsible for that across the State, and we've
25 already realized savings from that, as well as

1 leveraging buying power, again, being able to
2 really look across the vendors and use that power
3 to negotiate better prices and reduce operating
4 expenses where we can to save money for our
5 customers.

6 And that really goes to another one of our key
7 goals or – yeah, our key goal is really the healthy
8 financial performance. That's a key component of
9 that, is really looking for ways to reduce
10 operating expense.

11 The next thing I'm going to have on here is
12 the inventory management, future state. So we have
13 inventory, but our goal is really to establish a
14 sophisticated inventory practice, and this is an
15 item that bringing on the purchasing manager is
16 really going to be a critical component of doing
17 that, and drive this effort. And this is going
18 toward our goal of having that excellence in
19 operations. We want to make sure that we're really
20 being efficient, we're managing our assets to the
21 best of our abilities, and really understand.

22 And so two of the reasons – the main reasons I
23 think of, when I think of establishing this
24 practice, what we're trying to do here is really
25 better understand what we have and then better

1 utilize what we have.

2 So, better understanding what we have. We
3 want to make sure that, through this inventory
4 function, that we had a complete and accurate
5 database across the whole State and company of
6 exactly what we have and where we have it. We want
7 to make sure that this information is readily and
8 easily available, not only for anyone out in the
9 field but also for us to make decisions at the
10 corporate level as to how we can manage our
11 business and areas that we can better manage.

12 And just an example is determining optimal
13 quantities. Again, having a function and a person
14 responsible for looking really at this data, you
15 can start to analyze and figure out, "Do I need
16 more here or less here?" Just, what is the optimal
17 quantity? And that allows us to better utilize
18 what we have, making sure that if we have certain
19 assets in different parts of the State, that we're
20 communicating, that we're collaborating with each
21 other to make sure that we are really utilizing
22 that and utilizing this database to realize those
23 cross-area efficiencies. This will help us to
24 eliminate unnecessary purchases, and, again, go
25 towards that goal of reducing operating expenses,

1 becoming a more efficient operation, increasing
2 operational excellence, and also increasing that
3 financial health.

4 And this new function is really exciting to
5 me, again, because I think it hits on a lot of our
6 strategic goals, as Ms. Heigel mentioned earlier.
7 You know, really, it also hits the collaboration
8 piece. This is really critical. It's the finance
9 team, the operations team, the procurement team,
10 all working hand-in-hand to really make business
11 decisions, utilize what we have, manage what we
12 have, and then ultimately manage that rate impact
13 to customers.

14 [Reference: Presentation Slide 16]

15 The last slide I have here is impact of
16 regulatory recovery lag. So, again, when it comes
17 to financial performance, really, the biggest hit
18 is what we have when we have regulatory lag. So
19 it'll be, we file a rate case; it's based on a
20 historical test year, some pro forma adjustments.
21 And then there's that gap in time for any changes
22 between that time period and when the next rate
23 case occurs and rates become in effect. So there's
24 that period of time where we have lag from changing
25 expenses, additional capital, any changes that

1 would happen in that period.

2 And so regulatory lag really has a material
3 impact on financial health. And so the first
4 section here: Expense and capital recovery lag
5 accounts for a 500 to 1300 basis point gap from our
6 allowed 10½ ROE. And really looking at the past
7 two years, you break it into expense and capital
8 lag, those are the two high-level big drivers, and
9 really, expense lag is the key. In the last two
10 years, it's averaged about 739 basis points, so say
11 7 or 8 percent. Obviously, it grows over time. If
12 you have certain expenses and it's on the books for
13 a longer period, that lag grows.

14 Some of the main drivers within there, as I
15 mention on the slide here, are property taxes,
16 maintenance expenses, chemicals, salaries.
17 Anything that changes in that operation remains an
18 expense that we're now recovering from the prior
19 rate case.

20 Capital lag, in that same period, has averaged
21 about 135 basis points. So smaller, but definitely
22 still material. I mean, it's still 135 basis
23 points.

24 And that goes to the next point here, which
25 is: Infrastructure requires significant capital

1 investments. And this has been mentioned already
2 multiple times throughout this presentation, is we
3 need to make sure that we have access to that
4 capital. And our current plan is about \$60 million
5 – almost \$60 million over the next five years
6 that's needed to address our aging infrastructure
7 here in South Carolina for Blue Granite, and really
8 financial performance is the critical component in
9 order for us to maintain access to that capital.
10 So as we mentioned, this is not – the
11 infrastructure problem is not just in South
12 Carolina; it's across states, and obviously our
13 corporation, our company, operates across the
14 states and in multiple business units. So we need
15 to make sure that our financial performance as Blue
16 Granite Water is competitive within that to make
17 sure that we have access to that capital so we can
18 invest the money needed in South Carolina.

19 And so how do we fix that? Where do we go
20 from here? It's really we need to look at, you
21 know, adopting new ratemaking mechanisms, utilizing
22 existing ones that are in other areas, and how can
23 we take advantage of that to really improve that
24 financial performance?

25 And so just a few of those best practices that

1 we're really highlighting, really focusing on, are:
2 one, future test year. That's definitely the one
3 that's the most proactive. It addresses, again,
4 looking at what we talked about earlier, the
5 expense lag. Getting that future look on that
6 expense and really recovering that proactively
7 would definitely help to reduce that and increase
8 the rate-case window.

9 Next would be a banded ROE or a five-year rate
10 plan. So, again, it's not as proactive; it's
11 reactive, if you have a certain threshold on the
12 top end and the low end of your return where you
13 can be earning, and if you fall outside of it, then
14 you would update rates each calendar year to
15 address that. It's a little bit more reactive, in
16 the sense that it's after-the-fact that there was –
17 if you were below that ROE, you would come in and
18 update your rates, instead of – of course, a future
19 test year is more future-looking in that sense.
20 But this would still be important in the sense that
21 it's setting pretty much more known rates, it's
22 reducing that expense lag and capital lag, it's
23 addressing that issue and helping us, again,
24 stabilize that financial health, reducing rate
25 shock for customers. So, a lot of good benefits

1 there.

2 And finally is WISC-SYS for infrastructure
3 charges, so that's on the capital side, more.
4 Definitely a more common practice that's seen
5 across the states and within our company and other
6 companies in the industry to address the capital
7 lag. And again, these other two best practices
8 I've mentioned prior would also help address the
9 capital needs, about the same thing as the WISC-SYS
10 does.

11 But, yeah, so those are three that we're
12 specifically looking at to really target this
13 regulatory lag and try to maintain our access to
14 this capital.

15 Thank you for your time.

16 [Reference: Presentation Slide 17]

17 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** We'd be
18 happy to take any questions that the Commissioners
19 would have.

20 **CHAIRMAN RANDALL:** Thank you.

21 Commissioners, any questions?

22 I've got just a couple. I know we're talking
23 – of course, being on the Water Committee, we've
24 heard a lot of aging infrastructure talk,
25 nationwide, and about the cycle of trying to

1 improve infrastructure. One of the things I've
2 talked about is that I think in everybody's plan
3 for social media, for talking with consumers, is
4 the value of water. You know, we talk about that a
5 lot of times. So are you looking at doing any kind
6 of promotion about the value of water, since it is
7 the one utility that we ingest, and I think there's
8 differences in levels of understanding there?

9 MS. CATHERINE HEIGEL [BLUE GRANITE]: Yes, we
10 are. Actually, we are members of the NAWC, the
11 National Association of Water Companies. And
12 Shannon Becker, who is a colleague in North
13 Carolina, with Aqua, and I have been talking with
14 the leadership of NAWC in DC about re-initiating –
15 there's been a lot of talk in the past and they've
16 done some campaigns in the past about value of
17 water, but we believe that that campaign needs to
18 be re-invigorated and needs to go out again. And
19 so we are having conversations as part of that
20 industry association to do that, to help get some
21 support. Again, they have a lot of this campaign
22 material already done; it just needs to be updated.
23 And that would save us the cost – not necessarily
24 looking for a free ride, but it's nice when the
25 industry association is kind of footing the bill.

1 But you're absolutely right. This is – we're
2 in an annual rate-case cycle. And I did not
3 mention earlier, but I am managing both Blue
4 Granite, Carolina Water Service of North Carolina,
5 and Tennessee Water Service Company. And we've got
6 a rate case in Tennessee going on right now; we're
7 filing one July 1 in North Carolina; and we're
8 anticipating filing in South Carolina in September.
9 This is the year of the rate cases. And that pace,
10 unfortunately, isn't going to slow down; they are
11 going to be anywhere from 12 to 18 months, based on
12 the numbers and the capital investments being made
13 across those jurisdictions.

14 So as we face that type of regulatory pace and
15 rate pressure on customers, we have to do a better
16 job communicating the value of the product that
17 we're selling and why it's important that we make
18 these investments. So we do bear that burden. We
19 don't believe that customers should just intuit it.

20 **CHAIRMAN RANDALL:** Let me ask you one other
21 thing, too, just about infrastructure. As you
22 know, we're talking – there's been a lot of talk
23 over the last several years with the Waters of the
24 US bill, and what EPA is doing, and there's been
25 some talk about potentially nationwide some

1 mandatory lead-pipe replacement. Do you plan for
2 that? Or how does that affect your plans for the
3 future?

4 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** So the
5 lead-pipe replacement, we are fortunate in the
6 Southeast that we really don't have much in the way
7 of lead-pipe infrastructure. Certainly, not at the
8 utility level, so what might be out there would be
9 within the home. And there are, you know – there's
10 not much in the way of South Carolina housing stock
11 that does have that lead piping. It's a very
12 significant problem in the Midwest and the
13 Northeast.

14 But to a broader issue of emerging
15 contaminants and other issues, you know, we have to
16 – there's no silver bullet, and we're going to have
17 to really keep all the options on the table. And
18 what may be cost-effective in one jurisdiction may
19 not in another, and so we can't take a one-size-
20 fits-all approach – even within our company, which
21 obviously you'd love to try to leverage what you
22 know and what you have done, your experience, but
23 it isn't always transferable.

24 **CHAIRMAN RANDALL:** Thank you.

25 Commissioners. Commissioner Howard, you got a

1 question.

2 **COMMISSIONER HOWARD:** Thank you, Mr. Chairman.

3 I've got a couple of questions, and they're
4 all over the place – scrambled, like my brain – so
5 I'll just jump around.

6 What percentage of your water company is
7 groundwater versus surface water?

8 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** We don't
9 have any surface water treatment in South Carolina.

10 **COMMISSIONER HOWARD:** All of it is
11 groundwater?

12 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** Yes.

13 **COMMISSIONER HOWARD:** Then what can you do
14 about secondary water issues? I know you were with
15 DHEC, and it's – obviously the biggest problem we
16 have at our night hearings is secondary water
17 issues. And I know the DHEC, but what can be done
18 about secondary water issues with advanced
19 technology?

20 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** Well,
21 I'll have to defer to Bryce on the advanced
22 technology piece. I know that he's got some
23 systems in North Carolina he manages.

24 **MR. J. BRYCE MENDENHALL [BLUE GRANITE]:**
25 Commissioner, exactly what secondary water quality

1 issues are you having? Iron, manganese?

2 **COMMISSIONER HOWARD:** Odor, color.

3 **MR. J. BRYCE MENDENHALL [BLUE GRANITE]:** So
4 one of the – it's not inexpensive, but it seems to
5 be the most beneficial, is now membrane technology.
6 From wastewater treatment to water treatment, as
7 well. It seems to have a better end result than
8 anything – you know, when we talk maybe – you know,
9 water hardness is a secondary water quality issue.
10 If you've got high-performing or high-yield wells,
11 then you're talking about a huge addition of salt,
12 and ultimately the receiving waters for that, if
13 it's a wastewater treatment plant, has a negative
14 impact. So in other jurisdictions, we've looked at
15 membrane technology. It's less salt. You have to
16 deal with the backwash of it, but that seems to be
17 the biggest piece, of anything.

18 We're dealing with – we don't have as much
19 iron issues in a lot of places right now.

20 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** No, with
21 the Stonegate interconnection with the City of
22 Columbia, the one system that we were challenged
23 with secondary water quality issues has been fixed.

24 **COMMISSIONER HOWARD:** Well, that was my point.
25 At what point in the distribution system do you

1 place the membrane technology, the membrane?

2 **MR. J. BRYCE MENDENHALL [BLUE GRANITE]:** Your
3 customer satisfaction drives that a lot,
4 Commissioner. You know, secondary is exactly what
5 it's called. It is –

6 **COMMISSIONER HOWARD:** Let me rephrase it.

7 **MR. J. BRYCE MENDENHALL [BLUE GRANITE]:** Okay.

8 **COMMISSIONER HOWARD:** Are you talking about
9 the homeowners doing it, or are you talking about
10 you, as a company, doing it?

11 **MR. J. BRYCE MENDENHALL [BLUE GRANITE]:**
12 Company. I think it's easier for us. We have the
13 operation staff to deal with a treatment facility,
14 as opposed to the average homeowner putting a
15 softener or a filter system in their home. I think
16 it's better to treat the source as a whole and
17 deliver it as one common product, rather than
18 asking for each individual homeowner to do it.

19 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** That
20 said, we have a system in North Carolina that has
21 hardness issues, which, for some residents in this
22 very large subdivision near Topsail Beach, that's
23 an issue, and for some it doesn't bother them. And
24 so we did look at a utility-scale softening
25 solution. It was very, very expensive, when not

1 all the residents are complaining about the issue.
2 And in working with the Public Staff directly – the
3 ORS equivalent – in North Carolina, recently, like
4 in the last week, came to the collective
5 determination that it would not be prudent to do a
6 utility-scale solution unless the HOA of that
7 subdivision determined that they wanted to do it
8 and do a surcharge on that system's bill for that
9 solution, until it was paid for. And so – but
10 because they felt it was more cost-effective, and
11 we agreed, for the individual homeowners who have
12 an issue with the hardness, that they address it at
13 that level. So that would be maybe an exception to
14 that other standard.

15 **COMMISSIONER HOWARD:** Let me get a basic –
16 when you're talking about the state of the company,
17 are you talking about just South Carolina, or are –

18 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** Yes,
19 sir.

20 **COMMISSIONER HOWARD:** – you talking about
21 Utilities –

22 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** Yes,
23 sir.

24 **COMMISSIONER HOWARD:** Just South Carolina?

25 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** Yes,

1 sir. That's why I didn't introduce that earlier.
2 I didn't want to create confusion. But sometimes
3 that experience, though, can be helpful to
4 informing –

5 COMMISSIONER HOWARD: Well, with the recent
6 promotion of Ms. Sparrow, what does that do to
7 y'all?

8 MS. CATHERINE HEIGEL [BLUE GRANITE]: Um –

9 COMMISSIONER HOWARD: You understand the
10 purpose of the question?

11 MS. CATHERINE HEIGEL [BLUE GRANITE]: I think
12 I –

13 COMMISSIONER HOWARD: I'm trying to trick you.

14 MS. CATHERINE HEIGEL [BLUE GRANITE]: Yeah.
15 Yeah. It puts more pressure on us to deliver for
16 Ms. Sparrow, because, as you know, she has high
17 expectations, and she's now got the big, big job.
18 So we'll continue to work to make her successful.

19 COMMISSIONER HOWARD: It's no doubt – and it's
20 not the elephant in the room, but, literally, we've
21 caught hell over your company in the last several
22 years, since I've been on. And you recognize that
23 fact, and you're addressing it. What all are you
24 doing to address it? I mean, just give us your
25 day-to-day addressing the image of your company,

1 particularly with the General Assembly and with
2 your customers.

3 MS. CATHERINE HEIGEL [BLUE GRANITE]: All
4 right. So, it starts by setting a vision,
5 internally and externally. I've been meeting with
6 legislators on a regular basis. Meet with local
7 elected officials in the areas where we serve, to
8 make sure that they feel that they have direct
9 access to me and also that they are informed and
10 that they get the information that they need.

11 Mr. Cartin is Director of External Affairs and
12 he's is kind of the day-to-day boots-on-the-ground
13 with those interfaces, to make sure that we are
14 informing really everyone that we need to, of
15 issues that are going on in their communities, with
16 service or otherwise, and then what we're doing to
17 respond to that.

18 And, you know, in the last 16 months, we've
19 adopted a mission, vision, and values. We've done
20 a wholesale assessment of all of our systems and
21 developed a capital plan. We've reorganized the
22 company, realigned roles and responsibilities.
23 We've implemented a new asset management system.
24 We've hired new key talent. We've rebranded.
25 We've instituted biannual customer workshops and

1 community engagement. We brought out new
2 technologies, like My Utility Connect. We've
3 effected a major interconnection that was – several
4 – water and sewer, with the City of Columbia, that
5 were required of us. We have doubled our capital
6 budget to try to get ahead – to play catch-up on
7 the capital needs of the company, but also to get
8 ahead of issues.

9 So it is – let me not understate this, the
10 difficulty of selling to Ms. Sparrow and to our
11 board why they should put more money in South
12 Carolina when we have the lowest returns of any
13 state in the portfolio. And my belief is, I am
14 from this State, I believe in this State, I believe
15 in investing. And you have to prove why you
16 deserve the benefit of the doubt with your
17 regulators and with your customers. And that means
18 doing these hard things and doing the right thing.
19 We've also closed out most of the open consent
20 orders that were with DHEC.

21 **COMMISSIONER HOWARD:** Well, and that's kind –
22 isn't your allowed ROE 10.5?

23 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** That's
24 the allowed, yes.

25 **COMMISSIONER HOWARD:** Then – and that's the

1 lowest in the region.

2 MS. CATHERINE HEIGEL [BLUE GRANITE]: No, no.
3 That's the allowed. I'm talking about – I'm sorry
4 – earned. Our earned ROE.

5 COMMISSIONER HOWARD: But then, we can't do
6 any – we just –

7 MS. CATHERINE HEIGEL [BLUE GRANITE]: Oh, no.

8 COMMISSIONER HOWARD: – give you an allowed
9 ROE, so...

10 MS. CATHERINE HEIGEL [BLUE GRANITE]: That's
11 correct. That's correct. What we're saying and
12 what Mr. Hunter was highlighting is our ability to
13 earn that. We never have the ability to earn our
14 allowed return in a fully historic test year, in
15 this type of a regulatory paradigm. And so I'm
16 competing for capital internally with affiliates
17 who are in jurisdictions like Florida, who have a
18 future test year and alternative, you know, five-
19 year rate plans and other type mechanisms. And so
20 they're able to feather those cost increases in
21 over time and earn closer to their allowed return.

22 So it is, I believe, again, that you can't
23 just hold your hand out and say, "Well, you know,
24 we need to recover this more timely"; you have to
25 prove why you deserve to have that capital, both

1 internally and externally, and why it matters, and
2 that you're prudent with it, that you are working
3 in the best interests of customers.

4 So those are some things that we're looking
5 at, because we're not going to change our status in
6 the Utilities, Inc., portfolio in terms of
7 performance, without some type of alternative
8 ratemaking mechanism, because our capital
9 investments aren't going to slow down. Now, we're
10 going to manage them. We can't do everything at
11 once. You wouldn't want to, for customer rates,
12 anyway. But it's going to be a steady pace for
13 quite some time.

14 **COMMISSIONER HOWARD:** All right. Well, before
15 Mr. Hunter gave his three things, I had written
16 them down, because I knew the three he was going to
17 say, because, as the Chairman said, you know, we
18 hear this at the Water Committee all the time.

19 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** Yes,
20 sir.

21 **COMMISSIONER HOWARD:** The three things that
22 you mentioned and that I had was: future test year,
23 multiyear rate cases, and infrastructure surcharge.

24 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** Correct.

25 **COMMISSIONER HOWARD:** Now, what does it take

1 in South Carolina for you to implement those three
2 things?

3 MS. CATHERINE HEIGEL [BLUE GRANITE]:

4 Legislative change.

5 COMMISSIONER HOWARD: Pardon?

6 MS. CATHERINE HEIGEL [BLUE GRANITE]:

7 Legislative change.

8 COMMISSIONER HOWARD: And that was why I asked
9 the question, because you said you were having a
10 good relationship –

11 MS. CATHERINE HEIGEL [BLUE GRANITE]: That's –

12 COMMISSIONER HOWARD: – with the General
13 Assembly, or a better relationship – I'll put it
14 that way.

15 MS. CATHERINE HEIGEL [BLUE GRANITE]: We are
16 working to explain our needs and what we're doing
17 and why we're doing it, yes, sir, because our goal
18 is to be able to then take that conversation to the
19 next level over the coming months, to put forth
20 some options to discuss, because that's the prudent
21 thing to do for our customers. It doesn't benefit
22 our customers if we aren't earning anywhere near
23 our allowed return, because that's not a long-term
24 sustainable business, and that's not a future, in
25 that, and the customers deserve better. And that

1 means that they deserve – again, back to the we're-
2 getting-off-the-heels-of-our-feet-and-onto-the-
3 balls-of-our-feet – customers deserve that we are
4 going to proactively manage this issue and work
5 with our regulators and with our legislators to
6 surgically address what needs to be addressed. We
7 don't need to, you know, go whole hog here, but –
8 you know, pigs get fat, hogs get slaughtered. We
9 want to make sure that we're fair. But it's not in
10 the customers' best interest that utilities
11 struggle, like we are.

12 **COMMISSIONER HOWARD:** When people talk about
13 regulatory lag, and just sort of – I guess, we, in
14 South Carolina, don't get credit for the six-month
15 timeframe between applying for a rate case and
16 having an order written. There are many states
17 that are years. Nine months is probably average.
18 A year is not unusual, and over a year is common in
19 some states.

20 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** Yeah.

21 **COMMISSIONER HOWARD:** But nobody ever says,
22 "Well, you know, South Carolina is good because
23 you've got six months to get it." What is your
24 concept when they say that? When you go to the
25 capital market and they say, "Discuss with me about

1 regulatory lag,” how do you address the six months
2 versus the nine months or a year or whatever the
3 other case may be?

4 MS. CATHERINE HEIGEL [BLUE GRANITE]: It’s
5 absolutely a benefit as we compare to other
6 jurisdictions. So there’s no question that that is
7 really a very tight timeframe, and so that is a
8 benefit to the company.

9 What it doesn’t address is the fact that we
10 still have to file that rate case in order to get –
11 that full-blown rate case. And let me give you a
12 little bit of perspective on that. I’ll put my
13 consumer advocate hat back on, from 1995, here. I
14 worry about the cost to customers of these year-
15 over-year rate cases. Just by way of example, our
16 North Carolina affiliate had a rate case and had –
17 about 7 percent of the overall revenue requirement
18 requested was just regulatory expense to prosecute
19 the case. Compare that to Progress Energy – Duke
20 Progress Energy North Carolina rate case, and it
21 was .3 percent.

22 And so, when we – it’s a disproportionate –
23 prosecuting a full-blown rate case has a
24 disproportionate impact on water and sewer
25 customers than on electric customers. And we are

1 not afraid of the scrutiny. I mean, we'll file
2 them anyway, every 12 to 18 months. So, we – you
3 know, an annual mechanism to have full audit
4 reviews, maybe even similar to the Rate
5 Stabilization Act for natural gas utilities, there
6 is no concern. You know, we're driving out all
7 that O&M; that is immediately going to inure to the
8 benefit of customers, because we're filing these
9 rate cases. So it's not like we're doing that so
10 we can ride that gravy train until, you know, years
11 later when we file a rate case; it doesn't have
12 that impact. It really does go right back to
13 customers. And that's our effort to try to manage
14 that rate impact of all the capital that you're
15 seeing.

16 **COMMISSIONER HOWARD:** Going back to the three
17 issues of, you know, the multiyear – if you had
18 prioritize those, how would you prioritize them to
19 the General Assembly?

20 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** If I had
21 to prioritize it: A future test year. That said, I
22 recognize that, in South Carolina, there's some
23 overhang from the Base Load Review Act, which was
24 effectively paying for something before it's
25 complete, and that there may be some pushback to

1 that. And so what we see as a – that would be our
2 ideal, but what we see as perhaps an alternative,
3 that would be more in keeping with the historic
4 test-year concept but allow us to minimize some of
5 this cost for customers on the regulatory-expense
6 side but also get more timely recovery, would be
7 the five-year rate plan, banded ROE.

8 **COMMISSIONER HOWARD:** I think I've taken my
9 allocated time. My Chairman is getting nervous and
10 I'm going to have to deal with him in another way.

11 [Laughter]

12 But, thank you for your time. Thank you for
13 your questions.

14 And thank you, Mr. Chairman, for allowing me
15 to take this excessive amount of time.

16 **CHAIRMAN RANDALL:** Thank you, Commissioner
17 Howard.

18 Commissioner Hamilton.

19 **COMMISSIONER HAMILTON:** I think Commissioner
20 Howard asked all the questions. So I'd like to
21 thank the panel for being here today, and I think
22 it's pretty well evident that you changed more than
23 the name of the company.

24 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** Thank
25 you.

1 **COMMISSIONER HAMILTON:** Appreciate you being
2 here.

3 Thank you, Mr. Chairman.

4 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** Thank
5 you.

6 **CHAIRMAN RANDALL:** Thank you, sir.

7 Any other Commissioners? Commissioner Ervin.

8 **COMMISSIONER ERVIN:** Thank you, Mr. Chairman.

9 I do also want to echo that. We appreciate
10 the proactive approach that you're taking. You're
11 assembling an excellent team, and you're saying all
12 the right things, and I know you intend to do the
13 right things to make this vision statement come to
14 life and go forward. So I'm impressed by what I've
15 heard today, and I wish you all the best with your
16 goals.

17 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** Thank
18 you, Commissioner Ervin.

19 **CHAIRMAN RANDALL:** Thank you.

20 Any other – Commissioner Whitfield.

21 **COMMISSIONER WHITFIELD:** Thank you, Mr.
22 Chairman.

23 I had a few. I'm going to whittle this down
24 to just a couple, here. And I, too, want to – like
25 Commissioner Hamilton and Commissioner Ervin –

1 thank you for presenting to us today and bringing
2 us up to date on what Blue Granite Water Company is
3 doing and the changes you've made and are
4 implementing still.

5 Quickly, Mr. Dupree, I know you're the
6 engineer and that's your background, and it looks
7 like you've got some, you know, extensive
8 background there. You said you came from a
9 municipal background. What municipality or where
10 were you, prior to –

11 **MR. TRAVIS DUPREE [BLUE GRANITE]:** I came from
12 the City of North Myrtle Beach.

13 **COMMISSIONER WHITFIELD:** North Myrtle Beach.
14 Okay.

15 **MR. TRAVIS DUPREE [BLUE GRANITE]:** Yes, sir.

16 **COMMISSIONER WHITFIELD:** And kind of to weave
17 into an engineering/development question – and Ms.
18 Heigel, I'm going to kind of maybe pull you into
19 this. Either one of you, or both, can answer this.
20 You mentioned, when you were presenting, Ms.
21 Heigel, about talking to ReWa and about another
22 bulk water supplier, I believe, and –

23 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** Sewer.

24 **COMMISSIONER WHITFIELD:** Okay.

25 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** Sewer

1 treatment.

2 COMMISSIONER WHITFIELD: Okay. But didn't you
3 mention another bulk water supplier in the –
4 somewhere in the upstate?

5 MS. CATHERINE HEIGEL [BLUE GRANITE]: I did
6 not, but we do have – we have negotiated – I don't
7 – we have a signed interconnection agreement with
8 Charlotte, the City of Charlotte/Mecklenburg, for
9 water supply for York County. I don't want to talk
10 much further about that, because that will be
11 coming to this Commission for approval.

12 COMMISSIONER WHITFIELD: Well, more in a
13 general nature, is one of your overall concerns
14 leading the company, as water gets more scarce, if
15 you will, with municipalities and privately held
16 water companies – do you have concerns, large
17 concerns, if you will, going forward, about supply,
18 bulk water supply?

19 MS. CATHERINE HEIGEL [BLUE GRANITE]: Yes.
20 And I'm going to let Mr. Dupree talk about what
21 we're addressing right now in York County.

22 MR. TRAVIS DUPREE [BLUE GRANITE]: Okay. So,
23 recently, in York County, we have had an issue with
24 supply and demand. Basically, a week and a half
25 ago, we saw supply met the demand. Obviously, when

1 that occurs, then there is a chance for customers
2 to suffer. In the past week and a half, we have
3 worked with York County to improve that. We have
4 determined there was a couple of issues on their
5 end, and it has tremendously helped us.

6 Now, going back to your question about being
7 generally concerned, I think everybody should be at
8 some point. Depending on your resources, you know,
9 whether it's a well system or a bulk water system,
10 it's subsurface or surface water, you should always
11 be concerned. And we are. The York system is a
12 perfect example of where you can have all the
13 supply in the world, but if your demand peaks like
14 it did a week and a half ago, unexpectedly, it can
15 be a tremendous detriment.

16 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** Yeah,
17 so, if I can add onto this, from 2014 to 2018 in
18 the York system, the Lake Wylie system, we have
19 seen 59 percent growth in demand. Fifty-nine
20 percent growth in consumption. And that – it's a
21 good-news-bad-news. Good news is that area is just
22 growing gangbusters. The bad news is that the
23 infrastructure has not kept pace, back to the, you
24 know, on-the-heels-of-our-feet-and-getting-off-of-
25 that-and-back-onto-the-balls-of-our-feet, has not

1 kept pace. As part of the York franchise agreement
2 renewal that this Commission approved a year ago,
3 the water supply tower that had previously been a
4 York asset was transferred back to Blue Granite, so
5 July 1, last year. That tank is a 250,000 gallon
6 tank?

7 **MR. TRAVIS DUPREE [BLUE GRANITE]:** It's a
8 total of 250,000 gallons. It typically supplies
9 about 200,000 gallons.

10 **MS. CATHERINE HEIGEL [BLUE GRANITE]:** And you
11 typically want to have supply for about half of
12 your demand. So right now, without any
13 conservation restrictions in place, our demand in
14 that system would be about 2 million gallons a day.
15 And so we should have storage, ideally, of a
16 million gallons. And we don't.

17 So we have done two things: One, this backup
18 water supply from Charlotte/Mecklenburg that will
19 come from under the Buster Boyd Bridge and tie into
20 our system, and we've got the bids – that scope out
21 for bid right now. So that's increasing the
22 supply. We're also siting for a new water tower, a
23 million-gallon-tank water tower. And that's just
24 to meet the organic growth that we're seeing in the
25 area.

1 In the meantime, though, we have to promote
2 the value of water, we have to promote good water
3 practices. So we have – we have, right now, a
4 mandatory irrigation ban in place, in that system.
5 Travis has been getting four hours of sleep a night
6 poring over the data and seeing the drawdown rates
7 from that tower, seeing what hours the booster
8 pumps from York County are operating, analyzing
9 that data, trying to understand what additional
10 nonessential use for water can we permit at this
11 point in time.

12 So our hope is to move to a conservation
13 protocol that would be indefinite, even though
14 we've got these solutions in the works, and we'll
15 have that additional million-gallon-a-day water
16 supply from Charlotte in the next couple of months
17 and we'll have that tank done in a year and a half.
18 But the question is, what behaviors do we want to
19 incentivize? Obviously, you know, again, back to
20 long-term versus short-term thinking, short-term
21 thinking is, "Well, you're a water company. You're
22 in business to sell water." Yes, but when people
23 turn the tap on and nothing comes out, they're not
24 happy. And we did have that, a week and a half
25 ago. So that's not something that is – that's not

1 a future we want. So we have drafted a
2 conservation protocol that would allow for, on a
3 permanent fixed basis, people to better understand
4 the value of water for nonessential uses, in
5 particular. It drives conservation behavior and it
6 will allow us to be better stewards of these
7 resources that are finite for these – especially
8 these growing areas, and that Metro Charlotte area
9 is definitely one of the fastest-growing.

10 **CHAIRMAN RANDALL:** We've been at this a while.
11 Have we got – can we –

12 **COMMISSIONER WHITFIELD:** I was just –

13 **CHAIRMAN RANDALL:** Are you about –

14 **COMMISSIONER WHITFIELD:** I was just going to
15 say thank you for sharing this. It's the heaviest
16 populated area in my district, and I certainly
17 appreciate you sharing this and addressing this
18 through this forum.

19 **CHAIRMAN RANDALL:** Great. Thank you. Thank
20 you. I just lost track of time. I was interested.
21 And we've been at it a while, so we're either going
22 to have to take a break and come back, or wrap this
23 up, so...

24 **COMMISSIONER HOWARD:** Wrap it.

25 **CHAIRMAN RANDALL:** We want to thank you for

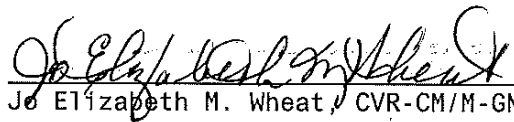
1 being here today, and thank everyone for being
2 here, and if there's nothing else to come before
3 us, we are adjourned.

4 [WHEREUPON, at 11:50 a.m., the
5 proceedings in the above-entitled matter
6 were adjourned.]
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C E R T I F I C A T E

I, Jo Elizabeth M. Wheat, CVR-CM-GNSC, Notary Public in and for the State of South Carolina, do hereby certify that the foregoing is, to the best of my skill and ability, a true and correct transcript of all the proceedings had regarding a requested allowable ex parte briefing in the above-captioned matter before the PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA;

IN WITNESS WHEREOF, I have hereunto set my hand and seal, on this the 30th day of May, 2019.


 Jo Elizabeth M. Wheat, CVR-CM/M-GNSC
 Hearings Reporter, PSC/SC
 My Commission Expires: January 27, 2021.